

# **PUBLIC DISCLOSURE**

**September 13, 2010**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Liberty Bank and Trust Company  
Certificate Number: 20856**

**6600 Plaza Drive, Suite 600  
New Orleans, Louisiana 70127**

**Federal Deposit Insurance Corporation  
Division of Supervision and Consumer Protection**

**Dallas Region – Memphis Area Office  
5100 Poplar Avenue, Suite 1900  
Memphis, Tennessee 38137**

**NOTE:**

**This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## TABLE OF CONTENTS

GENERAL INFORMATION .....	1
INSTITUTION'S CRA RATING .....	1
SCOPE OF EXAMINATION .....	3
DESCRIPTION OF INSTITUTION .....	5
DESCRIPTION OF ASSESSMENT AREAS .....	6
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS .....	7
LENDING TEST .....	7
COMMUNITY DEVELOPMENT TEST .....	8
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	9
KANSAS CITY MULTI-STATE METROPOLITAN STATISTICAL AREA (full-scope review) .....	10
LENDING TEST .....	11
COMMUNITY DEVELOPMENT TEST .....	15
STATE OF LOUISIANA .....	17
New Orleans AA (Full-scope review) .....	17
LENDING TEST .....	18
COMMUNITY DEVELOPMENT TEST .....	22
Baton Rouge AA (Limited-scope review) .....	25
LENDING TEST .....	27
COMMUNITY DEVELOPMENT TEST .....	28
St. Landry AA (Limited-scope review) .....	28
LENDING TEST .....	30
COMMUNITY DEVELOPMENT TEST .....	30
STATE OF MISSISSIPPI .....	32
Jackson AA (Full-scope review) .....	32
LENDING TEST .....	33
COMMUNITY DEVELOPMENT TEST .....	37
STATE OF MICHIGAN .....	39
Detroit AA (Full-scope review) .....	39
LENDING TEST .....	40
COMMUNITY DEVELOPMENT TEST .....	41
<u>Appendix A: GENERAL DEFINITIONS</u> .....	43

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Liberty Bank and Trust Company, New Orleans, Louisiana**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **September 13, 2010**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION'S CRA RATING

**INSTITUTION'S CRA RATING:** This institution is rated Outstanding.

**The Lending Test is rated:** Outstanding.

**The Community Development Test is rated:** Outstanding.

Liberty Bank and Trust Company (Liberty Bank) is a \$410 million, 22-office bank headquartered in New Orleans, Louisiana. For this evaluation, Liberty Bank was evaluated using Intermediate Small Bank (ISB) Examination Procedures. The ISB procedures evaluate the bank's performance under two tests (Lending and Community Development) to arrive at an overall rating, with both tests weighted equally. The following points summarize the bank's performance.

### Lending Test

The lending test evaluates the following five performance factors: Average net loan-to-deposit ratio; lending in the bank's assessment areas (AAs); lending to individuals of different income levels and to businesses of different revenues sizes; geographic distribution of loans; and response to complaints about the bank's performance in meeting assessment area credit needs. The bank exhibited the following performance:

- The bank's average net loan-to-deposit ratio during the review period was 51 percent, which reflects reasonable responsiveness to the credit needs of its assessment areas, based on the bank size, financial condition, and the competition in the assessment areas.
- The bank displayed a satisfactory record of granting home mortgage and small business loans inside its assessment areas.
- The overall distribution of borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income borrowers) and businesses of different revenue sizes.
- The geographic distribution of the home mortgage loans and sampled small business loans reflects excellent dispersion throughout the assessment areas.
- The bank has not received any CRA-related complaints since the previous evaluation.

### Community Development Test

Liberty Bank established an outstanding record regarding the Community Development Test. This test considers the institution's responsiveness to community development needs in its assessment areas through the use of community development loans, qualified investments, and community development services. The institution's capacity, the assessment area needs, and the availability of opportunities are also considered in the overall evaluation of community development activities.

It was noted that the bank's community development lending, investments, and services warrant improvement in some of the individual assessment areas, though this did not detract from the bank's overall community development performance.

Liberty Bank received an "Outstanding" rating at the August 20, 2007, FDIC evaluation based on the tests and performance factors applicable to Intermediate Small Banks.

## SCOPE OF EXAMINATION

Liberty Bank operates six assessment areas (AAs) within five states:

1. Kansas City, MO-KS Multi-state MSA AA (Kansas City AA);
2. New Orleans-Metairie-Kenner, LA MSA AA (New Orleans AA);
3. Baton Rouge, LA MSA AA (Baton Rouge AA);
4. St. Landry, LA Non-MSA AA (St. Landry AA);
5. Jackson, MS MSA AA (Jackson AA); and
6. Detroit, MI MSA AA (Detroit AA).

Examiners performed full-scope review procedures for the Kansas City AA and assigned ratings accordingly. Full-scope review procedures were also utilized for the New Orleans AA since this is the bank's primary lending and deposit-generating area. Other areas of Louisiana, including the Baton Rouge AA and the St. Landry AA, were evaluated using limited-scope procedures. Full-scope procedures were also utilized in the Jackson AA and the Detroit AA.

Liberty Bank's lending performance was evaluated based upon a review of two loan categories: Home mortgage and small business loans. These two loan types were chosen because they are the bank's primary lending focus, comprising 54 percent and 28 percent, respectively, of the bank's loan portfolio by dollar volume, as of June 30, 2010. More weight was given to the bank's home mortgage lending as this product constitutes the majority of the bank's lending activity.

Home mortgage and small business loans are also the primary loan products originated over the past 12 months (as shown in Table 1 below). Small farm loans were not reviewed since the bank does not have any small farm loans in the bank's loan portfolio.

<b>Table 1 – Twelve Month Loan Distribution as of July 1, 2009 – June 30, 2010</b>				
<i>Loan Category</i>	<i># of Loans</i>	<i>% of Number</i>	<i>\$ of Loans (000)</i>	<i>% of Dollars</i>
<i>Construction and Land Development</i>	7	1%	3,167	3%
<i>Secured by Farmland</i>	0	0%	0	0%
<i>1-4 Family Residential</i>	569	49%	69,963	68%
<i>Multi-Family (5 or more) Residential</i>	3	<1%	667	1%
<i>Commercial Real Estate</i>	35	3%	9,909	9%
<b><i>Total Real Estate Loans</i></b>	<b>614</b>	<b>53%</b>	<b>83,706</b>	<b>81%</b>
<i>Commercial and Industrial</i>	85	7%	14,352	14%
<i>Agricultural</i>	0	0%	0	0%
<i>Consumer</i>	471	40%	5,326	5%
<i>Other Loans</i>	0	0%	0	0%
<b><i>Gross Loans</i></b>	<b>1,170</b>	<b>100%</b>	<b>103,384</b>	<b>100%</b>

*Source: Bank Records*

For the home mortgage loan analysis, examiners used the data collected and reported by the bank pursuant to the requirements of the Home Mortgage Disclosure Act (HMDA) for the years 2008, 2009 and year-to-date 2010 (through June 30). The bank originated a total of 1,677 HMDA loans totaling \$196,852,000 during this period. Table 4 details the bank's HMDA lending by calendar year.

For the small business loan analysis, a sample of 40 small business loans totaling \$6,321,000, originated between July 1, 2009, and June 30, 2010, was used. This sample was selected from a universe of 175 small business loans totaling \$30,866,000.

For the Community Development Test, examiners reviewed all of the bank's community development loans, qualified investments, and community development services since the last evaluation. Additionally, examiners considered any qualified investments made during the prior evaluation period that were outstanding as of the date of this evaluation.

In analyzing the bank's overall rating, Liberty Bank's performance in each assessment area is weighted based upon the area's proportionate share of the bank's overall deposit base and lending activity. Table 2 shows the assessment areas with their corresponding percentages of total deposits (as of June 30, 2009) and total HMDA loans for 2008, 2009 and year-to-date 2010.

**Table 2 - Assessment Area Weighing Table**

Assessment Area	Number of Census Tracts		Number of Branches		HMDA Lending Activity (2008, 2009, and YTD 2010)				Amount of Deposits	
	#	%	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>Louisiana</b>										
New Orleans AA	388	24	11	50	63,322	59	506	56	287,325	77
Baton Rouge AA	120	8	3	14	13,513	12	122	14	31,536	9
St Landry AA	19	1	1	4	227	<1	3	<1	1,159	<1
<b>Mississippi</b>										
Jackson MSA	104	6	2	9	27,248	25	248	27	16,383	4
<b>Kansas/Missouri</b>										
Kansas City AA	350	22	3	14	3,869	4	31	3	36,200	10
<b>Michigan</b>										
Detroit AA	620	39	2	9	0	0	0	0	0	0
<b>Totals</b>	<b>1,601</b>	<b>100</b>	<b>22</b>	<b>100</b>	<b>108,179</b>	<b>100</b>	<b>910</b>	<b>100</b>	<b>372,603</b>	<b>100</b>

Source: U. S. 2000 Census; HMDA Data (2008, 2009 and year-to-date 2010), and FDIC Summary of Deposits (6/30/2009).

As the information in the above table shows, the bank obtains a substantial majority of its deposits in the New Orleans AA and originates a significant majority of HMDA loans in this area as well. Although not presented above, the bank's small business lending followed a similar pattern, in that a substantial majority of the bank's small business loans were located in the New Orleans AA. Additionally, Liberty Bank has a larger number of branches in the New Orleans AA. Therefore, the bank's performance in the New Orleans AA had the greatest impact on the institution's overall rating.

## DESCRIPTION OF INSTITUTION

### Background

Since its inception in 1972, Liberty Bank has grown to over \$410 million in assets with 20 full-service locations in Louisiana, Mississippi, Kansas, Missouri, and Michigan. Since the previous CRA evaluation, the bank has added new offices through the acquisition of Home Federal Savings Bank (November 2009) in Detroit, Michigan (two locations), United Bank and Trust Company (April 2009), New Orleans, Louisiana (four locations), and Douglas National Bank (January 2008) in the Kansas City, Missouri-Kansas market (three locations). The bank has not closed any branches since the previous evaluation; however, the St. Bernard Branch located at 1950 St. Bernard Avenue, New Orleans, LA was temporarily closed due to Hurricane Katrina and has not re-opened as of the date of this evaluation.

Liberty Bank is a certified Community Development Financial Institution (CDFI) and Community Development Entity (CDE) whose mission is to provide cost effective delivery of high quality, innovative, customer-driven products and services to diverse markets with a focus on disadvantaged minority communities, which traditionally have been underserved. Liberty Bank is also New Orleans' largest African-American owned bank, as well as one of the largest African-American owned banks in the United States, offering a vast array of products and services including personal accounts, mortgages, and small business loans

A certified CDFI is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. CDFIs typically provide a unique range of financial products and services in economically distressed target markets. CDFI certification is a designation conferred by the CDFI Fund and is a requirement for accessing financial and technical award assistance from the CDFI fund through the CDFI Program.

Liberty Bank's June 30, 2010, Consolidated Report of Condition reports total assets of \$409,932,000, net loans of \$193,306,000, and total deposits of \$367,684,000. The bank's average net loan to deposit (NLTD) ratio shows an increase from 45 to 51 percent since the last examination. The bank's NLTD ratio continues to reflect an upward movement with a NLTD ratio of 53 percent as of June 30, 2010. Table 3, on the following page, reflects the bank's loan portfolio composition as of the same date. Residential real estate loans continue to be the bank's primary lending focus representing 54 percent of total loans.

Liberty Insurance, Inc., and The Liberty Foundation, non-profit corporation, are both subsidiaries of Liberty Bank.

### Holding Company

The bank is a wholly-owned subsidiary of Liberty Financial Services Inc., also located in New Orleans, Louisiana.

### Ability & Capacity

As of June 30, 2010, the bank reported total assets of \$410 million, comprised primarily of loans at 47 percent and investments at 37 percent.

No legal or financial impediments exist which would prohibit Liberty Bank from meeting the credit needs of its communities.

As shown below, the bank's loan portfolio is primarily concentrated on 1-4 family residential loans at 54 percent and commercial real estate and other commercial and industrial loans at 28 percent. Liberty Bank does not have any farmland or agricultural production loans.

<b>Table 3 – Loan Distribution as of June 30, 2010</b>		
<i><b>Loan Category</b></i>	<i><b>Dollar Amount (000s)</b></i>	<i><b>Percent of Total Loans (%)</b></i>
Construction and land development	5,335	3
Secured by farmland	0	0
Secured by 1-4 family residential properties	105,331	54
Secured by multi-family (5 or more) residential	605	<1
Secured by nonfarm nonresidential properties	46,807	24
<b><i>Total Real Estate Loans</i></b>	<b><i>158,078</i></b>	<b><i>81</i></b>
Agricultural loans	0	0
Commercial and industrial loans	8,320	4
Consumer loans	30,017	15
Other loans	0	0
<b><i>Total Loans</i></b>	<b><i>196,415</i></b>	<b><i>100</i></b>

*Source: Call Report – June 30, 2010*

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires financial institutions to define assessment areas within which the bank will concentrate its lending efforts. The FDIC evaluates the institution's CRA performance within these defined assessment areas. As discussed in the scope of examination, Liberty Bank has six assessment areas: (1) Kansas City AA; (2) New Orleans AA; (3) Baton Rouge AA; (4) St. Landry AA; (5) Jackson AA; and (6) Detroit AA. The assessment area delineations conform to the CRA regulation and do not arbitrarily exclude low- or moderate-income areas. Additional details concerning each assessment area are discussed later in this evaluation.

### ***The Need and Opportunity for Community Development Activities***

The need and opportunity for community development activities in the State of Louisiana and State of Mississippi is readily apparent as the entire State of Louisiana and portions of the State of Mississippi continue to be declared as a federal disaster area due to Hurricane Katrina. The State of Louisiana has experienced massive loss of property, both commercial and residential, as a result of this natural disaster. The Hurricane Katrina federal disaster area designation for individual and public assistance began on August 29, 2005, and will continue until it is withdrawn.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

#### Net Loan to Deposit Ratio

Loans are primarily funded by deposits; therefore, a bank's NLTD ratio is used as an indicator of an institution's level of lending activity. The bank posted an average quarterly NLTD ratio since the last evaluation of 51 percent. This is an increase over the average NLTD ratio of 45 percent at the previous examination. The bank's NLTD ratio continues to reflect an upward movement with a NLTD ratio of 53 percent as of June 30, 2010. This ratio is considered reasonable when considering the needs of the bank's assessment areas, the bank's size and financial condition, and the level of competition present in each assessment area.

#### Distribution of Loans Inside and Outside Assessment Areas

As depicted in the following table, the bank exhibited a satisfactory record of granting loans inside its assessment areas, with a majority of the loans reviewed made in the bank's assessment areas. Specifically, 77 percent of the home mortgage loans, by number, were originated in the bank's assessment areas, as were 90 percent of the small business loans, by number.

Table 4 - Distribution of Loans Inside / Outside Assessment Areas										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	\$ (000s)
2008 HMDA Loans	540	69	243	31	783	62,464	69	28,150	31	90,614
2009 HMDA Loans	650	83	132	17	782	75,656	82	16,355	18	92,011
Year-to-Date 2010 HMDA Loans	97	87	15	13	112	12,618	89	1,609	11	14,227
Small Business Loans	36	90	4	10	40	5,030	80	1,291	20	6,321

Source: HMDA (2008, 2009, year-to-date 2010) and Bank Records (2009 & 2010)

#### Borrower Characteristics

The bank displayed an excellent record of granting loans within its assessment areas to borrowers of different income levels and businesses of varying sizes. Refer to later portions of this Performance Evaluation for details concerning the bank's lending in each respective assessment area.

#### Geographic Distribution of Lending

The institution established an excellent record of geographically distributing loans, particularly in low- and moderate-income geographies. Refer to later portions of this Performance Evaluation for details concerning the bank's lending in each respective assessment area.

#### Response to CRA-Related Complaints

As discussed previously, the bank has not received any CRA-related complaints since the previous evaluation.

## COMMUNITY DEVELOPMENT TEST

### Overall Rating

Liberty Bank established an outstanding record regarding the Community Development Test. An excellent record regarding community development lending, investments, and services primarily support this rating. The bank's efforts in the New Orleans AA contributed significantly to the overall Outstanding rating for this test. Additional details on community development activities are presented relative to each assessment area in later portions of this evaluation. A summary of the bank's community development activities is presented in Table 5 below.

Table 5 - Community Development Activities					
Qualifying Category	Community Development Loans		Qualified Investments		Community Development Services
	#	\$ (000s)	#	\$ (000s)	#
Affordable Housing	5	888	4	5,300	1
Community Development Organizations	7	27,706	11	8,657	4
Economic Development	4	12,875	3	25,003	8
Revitalize or Stabilize LMI Geographies *	9	8,803	7	12,126	4
<b>Total</b>	<b>25</b>	<b>50,272</b>	<b>25</b>	<b>51,086</b>	<b>17</b>

Source: Bank Records. \*Low- or Moderate-Income, Disaster, Distressed, or Underserved

### Community Development Lending

As illustrated in Table 6 below, the bank made 25 community development loans totaling \$50,272,000 since the last examination, which equates to 13 percent of average assets and 26 percent of net loans. This performance is considered excellent.

Table 6 – Community Development Loans										
Activity Year	Qualifying Category								Totals	
	Affordable Housing		Community Development Organizations		Economic Development		Revitalize or Stabilize LMI* Geographies			
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2007	0	0	0	0	1	5,000	5	148	6	5,148
2008	2	281	2	20,000	2	7,500	3	8,625	9	36,406
2009	3	607	1	500	1	375	1	30	6	1,512
2010	0	0	4	7,206	0	0	0	0	4	7,206
Total	5	888	7	27,706	4	12,875	9	8,803	25	50,272

Source: Bank Records. \*Low- or Moderate-Income, Disaster, Distressed, or Underserved

In addition, Liberty Bank continues to participate in the Small Dollar Loan Program which began as a pilot program but continues to be successful. In 2008 and 2009, the bank originated 143 small dollar loans totaling \$212,356 throughout its various assessment areas.

## Qualified Investments

Overall, Liberty Bank has demonstrated an excellent level of qualified investment activity. The bank initiated 25 qualified investments totaling \$51,086,000 that received consideration. All of these investments were made and funded since the last examination through the Liberty Bank's "Liberty Community Ventures V, LLC." This volume of investments equates to 13 percent of average assets and 146 percent of total equity capital since the last examination. Refer to Table 7 below for further details.

Table 7 - Community Development Investments										
Activity Year	Qualifying Category								Totals	
	Affordable Housing		Community Development Organizations		Economic Development		Revitalize or Stabilize LMI* Geographies			
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2007**	0	0	5	1,500	1	5,000	5	8,625	11	15,125
2008	1	200	4	153	2	20,001	1	1	8	20,355
2009	1	100	0	0	1	2	0	0	2	102
2010	1	5,000	2	7,004	0	0	1	3,500	4	15,504
Total	3	5,300	11	8,657	4	25,003	7	12,126	25	51,086

Source: Bank Records. \*Low- or Moderate-Income, Disaster, Distressed, or Underserved

\*\* includes investments made at last evaluation that remain outstanding

## Community Development Services

The bank's number of CD services demonstrates excellent responsiveness to the community development needs of its assessment area, particularly considering the impact that many of these services had on the affordable housing needs of the New Orleans AA.

Table 8 - Community Development Services (Number)					
Activity Year	Qualifying Category				Totals
	Affordable Housing	Community Development Organizations	Economic Development	Revitalize or Stabilize LMI* Geographies	
2007**	1	1	3	1	6
2008	0	1	2	3	6
2009	0	1	2	0	3
2010	0	1	1	0	2
<b>Total</b>	<b>1</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>17</b>

Source: Bank records

## FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs; therefore, this consideration did not affect the overall rating.

# **KANSAS CITY MULTI-STATE METROPOLITAN STATISTICAL AREA** (Full-scope review)

**CRA RATING FOR KANSAS CITY AA: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

## ***Description of the Institution's Operations in the Kansas City AA***

Liberty Bank has three offices in the Kansas City AA. Liberty Bank entered into the Kansas City MO-KS market in January of 2008 with the acquisition of Douglas National Bank.

The Kansas City AA ranked third in the dollar volume of HMDA loans and third in dollar volume of small business loans originated by the bank out of the four rated assessment areas. During the review period, the bank's Kansas City offices granted 3 percent by number and 10 percent by dollar volume of Liberty Bank's total home mortgage and small business loans.

## ***Description of the Kansas City MSA AA***

The bank designated all of Clay, Clinton, Jackson, Platte, Ray and Wyndette Counties, which are located in the Kansas City MO-KS MSA portions of Missouri and Kansas, as its Kansas City AA. This area contains 350 census tracts, of which 45 (13 percent) are low-income; 116 (33 percent) are moderate-income; 126 (36 percent) are middle-income and 51 (15 percent) are upper-income. Twelve (3 percent) of the tracts are not classified according to income level.

Table 9 provides additional information concerning the demographics of the Kansas City AA. Unless otherwise noted, all demographic data in the evaluation is based on 2000 U.S. Census Bureau data.

<b>Table 9 - Demographic &amp; Economic Characteristics of the Kansas City Multi-State AA</b>		
	Assessment Area Population	1,112,882
<u>Kansas City Multi-State MSA-HUD Median Family Income:</u>		
	2008 MSA Median Family Income	67,800
	2009 MSA Median Family Income	70,400
	2010 MSA Median Family Income	70,500
<u>Percentage of Families by Income Level:</u>		
	Low-Income	22%
	Moderate-Income	21%
	Middle-Income	24%
	Upper-Income	33%
<u>Number of Total Housing Units:</u>		
	1-4 Family Residential	387,705
	Multi-Family	80,424
	Mobile Homes	9,853
	Other	521
	Owner-Occupied Housing Units	288,589
	Occupied Rental Housing Units	155,136
	Vacant Housing Units	34,778

Source: 2000 U.S. Census

Based on 2010 D&B data for the Kansas City AA, the area's economy consists primarily of service-related, health, and retail trade industries. Major employers include Wal-Mart Stores, Inc, McDonald's, Sprint Corporation, and Saint Luke's Health System. Competition in this area is strong and consists of numerous locally-owned, regional, and national financial institutions. Based on first quarter 2010 data provided by the Bureau of Labor Statistics, the Kansas City MO-KS MSA has an unemployment rate of 10 percent, which is slightly higher than United States unemployment rate of 9 percent.

According to Moody'sEconomy.com (June of 2010), the construction and professional services are the best performing industries, growing at double-digit annualized rates in the last three months. Private job creation is still weak and layoffs in finance and at company headquarters are still a concern, as these high-paying industries are crucial for income growth in Kansas. Manufacturing is at the forefront of Kansas City's recovery, but high value-added services will take the lead in 2011. Job and income growth will outpace that of the nation. Unemployment will be high through the end of the year, as job creation will be insufficient to absorb re-entrants to the labor force.

**Table 10 - Median Family Income (MFI) Ranges for the Kansas City MSA**

<i>Income Level</i>	<i>Percent of MFI</i>	<i>2008 Income Range</i>	<i>2009 Income Range</i>	<i>2010 Income Range</i>
Low	Less than 50%	Less than \$33,900	Less than \$35,200	Less than \$35,250
Moderate	50% < 80%	\$33,900 < \$54,240	\$35,200 < \$56,320	\$35,250 < \$56,400
Middle	80% < 120%	\$54,240 < \$81,360	\$56,320 < \$84,480	\$56,400 < \$84,600
Upper	120% or more	\$81,360 or more	\$84,480 or more	\$84,600 or more
<b>MFI</b>		\$67,800	\$70,400	\$70,500

*Source: Department of Housing and Urban Development*

### ***Community Contact – Kansas City AA***

A community contact was conducted prior to this evaluation by another regulatory agency to obtain current information concerning this assessment area. The contact indicated that the current economy is relatively unstable due to unemployment and poverty, which appear to be higher in this area. The contact stated that local banks appear to be serving the credit needs of the community. The contact further commented that, in addition to housing, small loans and consumer loans for regular expenses are a credit need in the area. The contact also stated that banks are limited on what they can do during the economic downturn. Furthermore, the contact noted that the assessment area's primary credit need is affordable housing loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

Liberty Bank demonstrated a satisfactory record regarding the Lending Test in the Kansas City AA. When arriving at conclusions for the distribution of loans, geographic distribution and borrower profile were weighted equally.

### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

The distribution of borrowers reflects, given the demographics of the assessment area and comparisons to aggregate data, reasonable distribution among individuals of different income levels (including low- and moderate-income borrowers) and businesses of different revenue sizes. A reasonable performance relative to home mortgage lending to low- and moderate-income borrowers, as well as a reasonable performance of lending

to businesses with gross annual revenues less than \$1 million primarily supported this conclusion. Home mortgage lending carried more weight than small business loans for the purpose of this evaluation.

### ***Home Mortgage Lending***

Table 11 reflects the lending distribution of the bank's 2008, 2009 and year-to-date 2010 (through June 30, 2010) loans, which were originated within the Kansas City AA. For comparative purposes, the table includes the percentage of families within each income level. The 2008 aggregate HMDA data for all lenders that reported HMDA loan activity within the assessment area is also provided for comparison. Aggregate data for 2009 and 2010 was not available during the evaluation.

Table 11 - Distribution of Home Mortgage Loans by Borrower Income Level Kansas City MSA AA									
Median Income Level	% Total Families	2008 Aggregate Lending Data	2008 Bank Performance			2009 Bank Performance		2010 (YTD) Performance	
		% by #	#	%		#	%	#	%
Low	22	10	3	23		2	15	1	20
Moderate	21	23	4	31		3	23	1	20
Middle	24	23	0	0		2	15	1	20
Upper	33	27	2	15		5	39	2	40
NA	0	17	4	31		1	8	0	0
Total	100	100	13	100		13	100	5	100

Source: 2000 U.S. Census, HMDA-LAR (2008, 2009, and year-to-date 2010), HMDA Aggregate Data (2008)

### **Low-Income Borrowers**

As illustrated above, the bank's home mortgage lending to low-income borrowers (by number) at 23 percent in 2008 was similar to area demographics (22 percent of families are low-income) and significantly higher than the performance of aggregate lenders (10 percent). However, the bank's lending to low-income borrowers (by number) decreased slightly to 15 percent in 2009 and was comparable at 20 percent in year-to-date 2010, indicating a positive trend. More weight is placed on the comparison of the bank's lending to aggregate data because further review of area demographics reveals that 31 percent of the assessment area's low-income families are below the poverty level, which makes it difficult for these borrowers to qualify for mortgage loans. The comparison to aggregate data illustrates more directly how the bank is performing relative to other mortgage lenders.

An analysis by dollar amount revealed that in 2008, the bank originated 10 percent of its loans to low-income borrowers, with aggregate at only half that amount (5 percent). The bank's percentage dropped slightly to 10 percent in 2009 and increased to 20 percent in year-to-date 2010.

Given the bank's solid performance in lending to low-income borrowers relative to aggregate data (by both number and dollar amount) and the positive trend for 2009 and 2010, the bank's low income lending is considered satisfactory.

## Moderate-Income Borrowers

The bank's lending to moderate-income borrowers is also satisfactory. As depicted in the Table 11, 31 percent of the bank's home mortgage loans in 2008, by number, were made to moderate-income borrowers. This percentage is significantly higher than area demographics (21 percent of families are moderate-income) and also higher than the 2008 aggregate data (23 percent). The bank's moderate-income lending decreased in 2009 to 23 percent and to 20 percent in year-to-date 2010. The bank's performance in all three years is satisfactory.

An analysis by dollar amount reveals the bank is making lower-dollar home mortgage loans to these borrowers. In 2008, the bank originated 11 percent of its loans to moderate-income borrowers, with aggregate at 18 percent. In 2009, the bank's percentage by dollar volume increased to 19 percent but dropped to 15 percent in 2010.

The bank's lending to moderate-income borrowers is solid relative to aggregate lenders and is generally favorable to area demographics; therefore, the bank's performance is considered reasonable in this assessment area.

## Small Business Lending

Table 12 depicts a sample of the bank's small business lending to businesses of different revenue sizes within the assessment area. For comparative purposes, the table includes the percentage of businesses within each gross revenue level.

<b>Table 12 - Distribution of Small Business Loans by Gross Annual Revenues – Kansas City AA</b>						
<b>Gross Annual Revenues (000s)</b>	<b>Assessment Area Businesses* (% of #)</b>	<b>Gross Annual Revenues \$(000s)</b>	<b>Bank Loans</b>			
			<b>Number</b>	<b>Percent</b>	<b>Amount \$ (000s)</b>	<b>Percent</b>
<b>≤ \$1,000</b>	<b>6</b>	<b>&lt; \$100</b>	<b>1</b>	<b>33</b>	<b>26</b>	<b>4</b>
	<b>23</b>	<b>\$100 &lt; \$250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>43</b>	<b>\$250 &lt; \$500</b>	<b>1</b>	<b>34</b>	<b>100</b>	<b>16</b>
	<b>21</b>	<b>\$500 ≤ \$1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subtotals</b>	<b>93</b>		<b>2</b>	<b>67</b>	<b>126</b>	<b>20</b>
<b>&gt; \$1,000</b>	<b>7</b>	<b>&gt; \$1,000</b>	<b>1</b>	<b>33</b>	<b>500</b>	<b>80</b>
<b>Total</b>	<b>100</b>	<b>Total</b>	<b>3</b>	<b>100</b>	<b>626</b>	<b>100</b>

Source: \*D & B Data and Small Business Loan Sample

As presented in the table above, a large percentage of the bank's small business loans in the assessment area (67 percent by number) were to businesses with gross annual revenues of \$1 million or less. This lending level is lower than, but generally comparable to, the demographics of the assessment area. Considering Liberty Bank's market share and limited presence in this MSA, the geographic distribution of the bank's small business lending is considered adequate.

An analysis by dollar amount indicated that 20 percent of the bank's loans were to businesses with revenues less than \$1 million. This is extremely low when compared to community demographics (93 percent) but is deemed

reasonable considering smaller businesses typically have smaller loan sizes than do larger businesses. Additionally, Liberty Bank is new in this market and holds a considerably small market share.

Based on the above analysis and the relatively small presence in the market, the bank's lending to businesses of different sizes is adequate.

## Geographic Distribution of Loans

The bank's geographic distribution of lending in the Kansas City AA was considered excellent.

### Home Mortgage Lending

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout this assessment area.

Table 13 - Distribution of Home Mortgage Loans by Geographic Income Level – Kansas City AA									
Median Income Level	% Owner-Occupied Housing	2008 Aggregate Lending Data	2008 Bank Performance			2009 Bank Performance		Year-to-Date 2010 Performance	
		% by #	#	%		#	%	#	%
Low	5	2	3	23		3	23	1	20
Moderate	24	17	9	69		7	54	2	40
Middle	50	49	1	8		1	8	1	20
Upper	21	32	0	0		2	15	1	20
NA	0	0	0	0		0	0	0	0
Total	100	100	13	100		13	100	5	100

Source: 2000 U.S. Census, HMDA-LAR (2008, 2009, and first six months 2010), HMDA Aggregate Data (2008)

As shown above in Table 13, the bank's home mortgage lending in low-income census tracts (by number) at 23 percent in 2008 considerably higher when compared to area demographics (5 percent of owner-occupied units are in those tracts), and considerably higher than aggregate data (2 percent). The bank's lending in low-income census tracts remained the same in 2009 at 23 percent and decreased slightly in year-to-date 2010 to 20 percent, continuing to indicate an overall positive trend.

An analysis by dollar amount revealed that in 2008, the bank originated 27 percent of its loans in low-income geographies, with aggregate at 1 percent. The bank's percentage dropped slightly at 18 percent in 2009 and continued to drop in year-to-date 2010 to 15 percent, indicating a slightly lower but positive trend.

Given the bank's solid performance in lending in low-income tracts relative to aggregate data, and the positive trend in to 2008, the bank's lending in low-income tracts is considered excellent.

The bank's lending in moderate-income geographies at 69 percent in 2008; 54 percent in 2009; and 40 percent in year-to-date 2010 are considerably higher when compared to area demographics, in that 24 percent of owner-occupied housing units are in these census tracts. The bank's lending in these census tracts is excellent.



An analysis by dollar amount also indicated solid results in moderate-income census tracts. In 2008, the bank originated 72 percent of its loans in these census tracts with aggregate lenders at 12 percent. In 2009, the bank's percentage was 39 percent, while in year-to-date 2010 the bank's percentage was 18 percent.

Based on the above analysis, the geographic dispersion of the bank's home mortgage lending is excellent in this assessment area.

### ***Small Business Lending***

Table 14 below presents the geographic dispersion of a sample of the bank's small business loans located in the Kansas City AA. The percentage of assessment area businesses located in each geography income level is provided for comparison.

<b>Table 14 - Distribution of Small Business Loans by Geography Income Level – Kansas City MSA AA</b>					
<b><i>Geography Income Category</i></b>	<b><i>Percent of Businesses in the Assessment Area</i></b>	<b><i>Bank's Small Business Loan Sample</i></b>			
		<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$ (000s)</i></b>	<b><i>%</i></b>
<i>Low</i>	6	2	67	126	20
<i>Moderate</i>	26	1	33	500	80
<i>Middle</i>	46	0	0	0	0
<i>Upper</i>	20	0	0	0	0
<i>NA</i>	2	0	0	0	0
<b>Total</b>	<b>100</b>	<b>3</b>	<b>100</b>	<b>626</b>	<b>100</b>

*Source: 2007 D & B Data and Small Business Loan Sample*

As illustrated above, the bank originated 67 percent of its small business loans by number in the low-income census tracts, which is significantly higher than area demographics (approximately 6 percent of businesses are in low-income census tracts). Additionally, the bank originated 33 percent of its loans within the moderate-income census tracts, which also is higher when compared to demographics (26 percent of businesses are located within the moderate-income census tracts). Considering Liberty Bank's market share and limited presence in this assessment area, the geographic distribution of the bank's small business lending is considered reasonable.

### **COMMUNITY DEVELOPMENT TEST**

The bank has established an adequate record regarding the community development needs in this assessment area. An adequate record relative to the number and dollar volume of community development loans, as well as the number of services primarily contributes to the rating under this test.

### **Community Development Lending**

The bank's number and dollar volume of community development loans reflects adequate performance regarding the assessment area credit needs. Liberty Bank entered into the Kansas City MO-KS MSA in January 2008. During its relatively short presence, Liberty Bank originated one community development loan totaling \$35,000 to an economic community development organization in the Kansas City AA.

As the bank's presence in this assessment area grows, so will the need for the bank to be involved in a greater volume of community development lending to assist in the economic development and revitalization of the communities it serves.

## **Community Development Investments**

Liberty Bank did not have any qualified investments to report for the Kansas City AA. As stated above, the bank is new in this market and has limited knowledge and opportunities to participate in community development programs and investments. Considering these factors, the bank's performance is considered reasonable. However, as the bank's presence in this area increases, the bank should seek out opportunities for community development investment activities.

## **Community Development Services**

The bank's level of community development services demonstrates reasonable responsiveness to the community development needs of its assessment area. Liberty Bank offers a variety of alternative delivery systems that effectively deliver retail banking services throughout its assessment areas. The bank offers convenient banking services via the internet allowing customers to view product information, account information, as well as pay bills and transfer funds among accounts. Additionally, the bank offers similar services through its telephone banking system.

The bank also offers to its customers Electronic Transfer Accounts (ETA). An ETA is a low-cost deposit account developed by the U. S. Department of the Treasury designed for federal payment recipients, who do not have or may not qualify for a checking or savings accounts.

## **STATE OF LOUISIANA**

**CRA RATING FOR LOUISIANA: Outstanding.**

**The Lending Test is rated: Outstanding.**

**The Community Development Test is rated: Outstanding.**

### ***New Orleans AA (Full-scope review)***

#### ***Description of Institution's Operations in the New Orleans AA***

As mentioned previously, Liberty Bank's main office is located in New Orleans, Louisiana, and 10 of the bank's offices are also in the New Orleans AA. This assessment area also comprises the majority of the bank's deposits (77 percent) and home mortgage loans (59 percent, by number).

#### ***Description of the New Orleans AA***

The bank designated the New Orleans-Metairie-Kenner, Louisiana MSA as its New Orleans AA. This area contains 388 census tracts, of which 58 (15 percent) are low-income; 92 (24 percent) are moderate-income; 134 (35 percent) are middle-income; 102 are upper-income (26 percent); and 2 (less than 1 percent) are NA.

The following table provides additional information concerning the New Orleans-Metairie-Kenner MSA demographics. Unless otherwise noted, all demographic data in the evaluation is based on 2000 U.S. Census Bureau information.

<b>Table 15 - Demographic &amp; Economic Characteristics of the New Orleans-Metairie-Kenner, LA MSA</b>		
Assessment Area Population		1,316,510
<u>New Orleans MSA-HUD Median Family Income:</u>		
2008 MSA Median Family Income		\$59,800
2009 MSA Median Family Income		\$59,800
2010 MSA Median Family Income		\$61,200
<u>Percentage of Families by Income Level:</u>		
Low-Income		24%
Moderate-Income		16%
Middle-Income		19%
Upper-Income		41%
<u>Number of Total Housing Units:</u>		<u>548,629 Units</u>
1-4 Family Residential		441,274
Multi-Family		84,664
Mobile Home or Trailer		22,104
Other		587
Owner-Occupied Housing Units		306,612
Occupied Rental Housing Units		191,975
Vacant Housing Units		50,042

Source: 2000 U.S. Census

Based on 2010 D&B data for the New Orleans-Metairie-Kenner, Louisiana MSA, the area's economy consists of service-related industries, as well as leisure and hospitality. Major employers include Naval Air Station Joint Reserve Base, Harrah's Entertainment, Inc., Ochsner Clinic Foundation, Northrop Grumman Corporation, and the Medical Center of Louisiana. Competition in this area is strong and consists of numerous locally-owned, regional and national financial institutions. Based on first quarter 2010 data provided by the Bureau of Labor Statistics,

the New Orleans-Metairie-Kenner, Louisiana MSA indicates there has been little movement in the unemployment rate at 7 percent, which remains comparable relative to the state and national averages of 7 percent and 9 percent, respectively.

Table 16 illustrates the Department of Housing and Urban Development's estimates of the median family income for the New Orleans-Metairie-Kenner, LA MSA for 2008, 2009, and 2010 and the income ranges for low-, moderate-, middle-, and upper-income families.

<b>Table 16 - Median Family Income (MFI) Ranges for the New Orleans-Metairie-Kenner, LA MSA</b>				
<i><b>Income Level</b></i>	<i><b>Percent of MFI</b></i>	<i><b>2008 Income Range</b></i>	<i><b>2009 Income Range</b></i>	<i><b>2010 Income Range</b></i>
Low	Less than 50%	Less than \$29,900	Less than \$29,900	Less than \$30,600
Moderate	50% < 80%	\$29,900 < \$47,840	\$29,900 < \$47,840	\$30,600 < \$48,960
Middle	80% < 120%	\$47,840 < \$71,760	\$47,840 < \$71,760	\$48,960 < \$73,440
Upper	120% or more	\$71,760 or more	\$71,760 or more	\$73,440 or more
<b>MFI</b>		\$59,800	\$59,800	\$61,200

*Source: Department of Housing and Urban Development*

### ***Community Contacts – New Orleans AA***

A community contact conducted earlier in the year was reviewed to obtain information concerning this assessment area. The contact stated that, as of third quarter 2009, the population in the New Orleans MSA is approximately 89 percent of pre-Hurricane Katrina levels. During 2007 and 2008, the area sustained considerable job growth, particularly in the construction industry. During 2009, there has been a net loss of jobs resulting from the recession. The contact stated that the immediate need for small businesses is access to capital for cash flow, inventory, and equipment. The tightening of credit has caused many banks to cut back on lending to small businesses, particularly in cutting or reducing lines of credit for operating capital, inventory and equipment purchases. The contact further commented that more outreach in financial education to consumers and small businesses would be beneficial. However, the contact's perception of the local financial institution industry was favorable.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

Liberty Bank demonstrated an outstanding record regarding the Lending Test. Examiners focused on performance, first by borrower profile, then by geographic distribution of loans when arriving at this rating.

### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

The distribution of borrowers reflects, given the demographics of the assessment area and comparisons to aggregate data, reasonable distribution among borrowers of different incomes (including low- and moderate-income) and businesses of different sizes. A reasonable performance relative to home mortgage lending to low- and moderate-income borrowers, as well as an excellent level of lending to businesses with gross annual revenues less than \$1 million in the New Orleans AA primarily supported this conclusion.

## Home Mortgage Lending

Table 17 reflects the lending distribution of the bank's 2008, 2009, and year-to-date 2010 home mortgage loans which were originated within the New Orleans AA. For comparative purposes, the table includes the percentage of families within each income level. The 2008 aggregate HMDA data for all lenders that reported HMDA loan activity within the assessment area is also provided for comparison. Aggregate data for 2009 and 2010 was not available during the evaluation.

<b>Table 17 - Distribution of Home Mortgage Loans by Borrower Income Level - New Orleans AA</b>									
<i>Median Income Level</i>	<i>% Total Families</i>	<i>2008 Aggregate Lending Data</i>	<i>2008 Bank Performance</i>			<i>2009 Bank Performance</i>		<i>2010 (first six months) Performance</i>	
		<i>% by #</i>	<i>#</i>	<i>%</i>		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	24	6	8	4		17	6	3	10
<i>Moderate</i>	16	17	42	22		77	27	11	37
<i>Middle</i>	19	24	57	30		78	27	7	23
<i>Upper</i>	41	43	62	32		89	31	8	27
<i>NA</i>	0	10	22	12		25	9	1	3
<i>Total</i>	100	100	191	100		286	100	30	100

Source: 2000 U.S. Census, HMDA-LAR (2008, 2009, and year-to-date 2010), HMDA Aggregate Data (2008)

### Low-Income Borrowers

As illustrated above, the bank's home mortgage lending to low-income borrowers (by number) at 4 percent in 2008 was significantly below area demographics (24 percent of families are low-income) and slightly below that of aggregate lenders (6 percent). However, the bank's lending to low-income borrowers increased to 6 percent in 2009 and 10 percent in year-to-date 2010, indicating a positive trend.

A further review of the demographics of this assessment area reveals that 46 percent of the low-income families are below the poverty level, which makes it difficult for these borrowers to qualify for mortgage loans. Therefore, the comparison to aggregate data illustrates more directly how the bank is performing relative to other mortgage lenders.

An analysis by dollar amount revealed that in 2008 the bank originated 2 percent of its loans to low-income borrowers, with aggregate slightly higher at 3 percent. The bank's percentage rose to 3 percent in 2009 and increased to 7 percent during year-to-date 2010. The bank continues to show growth in this assessment area to individuals in low-income area.

Given the bank's good performance in lending to low-income borrowers relative to aggregate data (by both number and dollar amount), and the positive trend in 2009 and 2010, the bank's low-income lending is considered satisfactory in this assessment area.

### Moderate-Income Borrowers

The bank's lending to moderate-income borrowers is excellent. As depicted in the table above, 22 percent of the bank's home mortgage loans in 2008, by number, were made to moderate-income borrowers. This percentage is above area demographics (16 percent of families are moderate-income) and higher than the 2008 aggregate data

(17 percent). The bank's moderate-income lending continued to increase in 2009 and 2010 to 27 percent and 37 percent, respectively. The bank's performance in all three years is considered excellent.

An analysis by dollar amount revealed similar results. In 2008, the bank originated 18 percent of its loans to moderate-income borrowers, with aggregate at 11 percent. In 2009, the bank's percentage by dollar volume was 22 percent and rose to 29 percent in 2010.

The bank's lending to moderate-income borrowers is strong relative to aggregate lenders and is extremely favorable to area demographics; therefore, the bank's performance is considered excellent in this assessment area.

### ***Small Business Lending***

Table 18 depicts a sample of the bank's small business lending within the assessment area to businesses of different sizes. For comparative purposes, the table includes the percentage of businesses within each gross revenue level.

<b>Table 18 - Distribution of Small Business Loans by Gross Annual Revenues - New Orleans AA</b>						
<b><i>Gross Annual Revenues (000s)</i></b>	<b><i>Assessment Area Businesses* (% of #)</i></b>	<b><i>Gross Annual Revenues \$(000s)</i></b>	<b><i>Bank Loans</i></b>			
			<b><i>Number</i></b>	<b><i>Percent</i></b>	<b><i>Amount \$ (000s)</i></b>	<b><i>Percent</i></b>
<b><i>≤ \$1,000</i></b>	<b><i>6</i></b>	<b><i>&lt; \$100</i></b>	<b><i>3</i></b>	<b><i>15</i></b>	<b><i>314</i></b>	<b><i>9</i></b>
	<b><i>18</i></b>	<b><i>\$100 &lt; \$250</i></b>	<b><i>6</i></b>	<b><i>30</i></b>	<b><i>1,376</i></b>	<b><i>40</i></b>
	<b><i>35</i></b>	<b><i>\$250 &lt; \$500</i></b>	<b><i>3</i></b>	<b><i>15</i></b>	<b><i>671</i></b>	<b><i>19</i></b>
	<b><i>36</i></b>	<b><i>\$500 ≤ \$1,000</i></b>	<b><i>2</i></b>	<b><i>10</i></b>	<b><i>55</i></b>	<b><i>2</i></b>
<b><i>Subtotals</i></b>	<b><i>95</i></b>		<b><i>14</i></b>	<b><i>70</i></b>	<b><i>2,416</i></b>	<b><i>70</i></b>
<b><i>&gt; \$1,000</i></b>	<b><i>5</i></b>	<b><i>&gt; \$1,000</i></b>	<b><i>6</i></b>	<b><i>30</i></b>	<b><i>1,030</i></b>	<b><i>30</i></b>
<b><i>Revenue Unknown</i></b>						
<b><i>Total</i></b>	<b><i>100</i></b>	<b><i>Total</i></b>	<b><i>20</i></b>	<b><i>100</i></b>	<b><i>3,446</i></b>	<b><i>100</i></b>

Source: \*D & B Data and Small Business Loan Sample

As presented in the table above, a large percentage of the bank's small business loans in the assessment area (70 percent by number) were to businesses with gross annual revenues of \$1 million or less. This lending level is lower than demographics of the assessment area (95 percent of local businesses have revenues of \$1 million or less). This performance is considered reasonable.

An analysis by dollar volume indicated that 70 percent of the bank's loans were to businesses with revenues less than \$1 million. This is also lower than community demographics (95 percent) but is deemed reasonable, especially considering smaller businesses typically have smaller loan sizes than do larger businesses.

Based on the above analysis, the bank's lending to businesses of different sizes is satisfactory.

## Geographic Distribution of Loans

The geographic distribution of the home mortgage and small business loans reflects excellent dispersion throughout the bank's assessment area.

### *Home Mortgage Lending*

The following table depicts the geographic distribution of the bank's home mortgage lending. The 2008 aggregate HMDA data for all lenders which reported HMDA loan activity within the assessment area is also provided for comparison. Aggregate data for 2009 and 2010 was not available during the evaluation. Again, this analysis only includes loans originated in the assessment area.

<b>Table 19 - Distribution of Home Mortgage Loans by Geography Income Level – New Orleans AA</b>								
<i>Geography Income Level</i>	<i>% Owner-Occupied Housing</i>	<i>2008 Aggregate Lending Data</i>	<i>2008 Bank Performance</i>		<i>2009 Bank Performance</i>		<i>Year-to-Date 2010 Performance</i>	
		<i>% by #</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	4	3	21	11	38	13	4	13
<i>Moderate</i>	16	14	33	17	58	20	12	40
<i>Middle</i>	43	41	98	51	127	45	11	37
<i>Upper</i>	37	42	39	21	63	22	3	10
<i>NA</i>	0	0	0	0	0	0	0	0
<i>Total</i>	100	100	191	100	286	100	30	100

Source: 2000 U.S. Census, HMDA-LAR (2008, 2009, and first six months 2010), HMDA Aggregate Data (2008)

The bank's home mortgage lending in low-income census tracts (by number) at 11 percent in 2008 is significantly higher than the 2008 aggregate data (3 percent) and higher than area demographics (4 percent). The bank's lending in low-income census tracts increased slightly 2009 at 13 percent and remained constant in year-to-date 2010 at 13 percent indicating a positive trend.

An analysis by dollar amount revealed that in 2008, the bank originated 11 percent of its loans in low-income geographies, with aggregate at 3 percent. The bank's percentage remained steady at 12 percent in 2009 and dropped to 10 percent in year-to-date 2010, also indicating a positive trend.

Given the bank's solid performance in lending in low-income tracts relative to aggregate data, and the positive trend in 2009 and year-to-date 2010, the bank's lending in low-income tracts is considered excellent.

The bank's lending in moderate-income geographies at 17 percent in 2008; 20 percent in 2009; and 40 percent in year-to-date 2010 compare favorably to area demographics, in that 16 percent of owner-occupied housing units are in those census tracts. Additionally, the bank's performance in 2008 (17 percent) exceeds aggregate lenders (14 percent). The bank's lending in these census tracts is excellent.

An analysis by dollar amount also indicated solid results in moderate-income census tracts. In 2008, the bank originated 17 percent of its loans in these census tracts with aggregate lenders at 12 percent. In 2009, the bank's percentage was 19 percent, while in year-to-date 2010 the bank's percentage was 34 percent.

Based on the above analysis, the geographic dispersion of the bank's home mortgage lending is excellent in this assessment area.

### ***Small Business Lending***

The table below presents the geographic dispersion of a sample of the bank's small business loans (originated between July 1, 2009, and June 30, 2010) located in the New Orleans AA. The percentage of assessment area businesses located in each geography income level is provided for comparison.

<b>Table 20 - Distribution of Small Business Loans by Geography Income Level - New Orleans AA</b>					
<b><i>Geography Income Category</i></b>	<b><i>Percent of Businesses in the Assessment Area</i></b>	<b><i>Bank's Small Business Loan Sample</i></b>			
		<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$ (000s)</i></b>	<b><i>%</i></b>
<i>Low</i>	<i>7</i>	4	20	986	29
<i>Moderate</i>	<i>19</i>	5	25	503	15
<i>Middle</i>	<i>37</i>	7	35	1,284	37
<i>Upper</i>	<i>37</i>	2	10	496	14
<i>NA</i>	<i>0</i>	2	10	177	5
<b>Total</b>	<b>100</b>	<b>20</b>	<b>100</b>	<b>3,446</b>	<b>100</b>

*Source: D & B Data and Small Business Loan Sample*

As illustrated above, the bank originated 20 percent of its small business loans by number in the low-income census tracts, which is higher than area demographics which indicate that approximately 7 percent of businesses are in low-income census tracts. Additionally, the bank originated 25 percent of its loans within the moderate-income census tracts, which is higher when compared to demographics, in that 19 percent of businesses are located within the moderate-income census tracts. The geographic distribution of the bank's small business lending is outstanding.

### **COMMUNITY DEVELOPMENT TEST**

The bank has established an excellent record regarding the community development needs in this assessment area. An excellent record relative to the number and dollar volume of community development loans, as well as investments and the number of services primarily contributes to the rating under this test.

### **Community Development Lending**

The bank's number and dollar volume of community development loans reflects excellent performance regarding the assessment area credit needs. Since the last evaluation, Liberty Bank originated 24 community development loans totaling over \$50 million to borrowers in the New Orleans MSA AA. As mentioned, the bank's assessment area is continuing under federally-declared disaster area designations following the impact of Hurricane Katrina. Additionally, the bank's assessment area is currently under a disaster area designation for Hurricane Gustav.



Table 21 - Community Development Loans										
Activity Year	Qualifying Category								Totals	
	Affordable Housing		Community Development Organizations		Economic Development		Revitalize or Stabilize LMI* Geographies			
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2007	0	0	0	0	1	5,000	5	148	6	5,148
2008	2	281	2	20,000	2	7,500	3	8,625	9	36,406
2009	3	607	1	500	1	375	1	30	6	1,512
2010	0	0	3	7,171	0	0	0	0	3	7,171
Total	5	888	6	27,671	4	12,875	9	8,803	24	50,237

Source: Bank Records. \*Low- or Moderate-Income, Disaster, Distressed, or Underserved

The following is a synopsis of the community development loans originated during the review period.

- Five multi-family loans for affordable housing (apartment complexes) totaling over \$888,000.
- Six loans to community development organizations totaling almost \$28 million with the sole purpose of revitalizing the New Orleans area through community development programs and assistance to the low-to-moderate income neighborhoods and individuals.

In addition, Liberty Bank held a leadership role in the development of the following loan program in response to identified community credit needs.

- One New Orleans Road Home Fast Tract Program: This was the City of New Orleans' 2-year pilot program, in partnership with Liberty Bank and JPMorgan Chase Bank, NA, targeting 1,000 Orleans Parish homeowners registered with the Louisiana Road Home Corporation. This program was designed to assist citizens, who were returning home, with gutting, demolition and gap financing in an effort to accelerate neighborhood revitalization through recovery and rebuilding. Applicants could receive bridge loans in amounts up to \$50,000 interest-free for six months. The City of New Orleans paid the closing costs and interests for each loan, and the loan was paid by the homeowner upon receipt of his Louisiana Road Home award. Since the previous examination this program has expired, however, the bank did extend five loans under this program, after the previous examination totaling \$147,700.

### Community Development Investments

Overall, Liberty Bank has demonstrated an excellent level of qualified investment activity in this assessment area. The bank initiated 25 community development investments totaling over \$51 million.

Table 22 - Community Development Investments										
Activity Year	Qualifying Category								Totals	
	Affordable Housing		Community Development Organizations		Economic Development		Revitalize or Stabilize LMI* Geographies			
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
2007**	0	0	5	1,500	1	5,000	5	8,625	11	15,125
2008	1	200	4	153	2	20,001	1	1	8	20,355
2009	1	100	0	0	1	2	0	0	2	102
2010	1	5,000	2	7,004	0	0	1	3,500	4	15,504
Total	3	5,300	11	8,657	4	25,003	7	12,126	25	51,086

Source: Bank Records. \*Low- or Moderate-Income, Disaster, Distressed, or Underserved

Examples of the qualified investments made by Liberty Bank during the evaluation period are detailed below:

- New Markets Tax Credit (NMTC) Program – The bank received additional allocations of \$20 million dollars in 2008. These 2008 allocation are for use in Louisiana; Houston, Texas; and Jackson, Mississippi. To date, Liberty Bank has utilized \$116 million dollars of the bank’s combined NMTC allocations.
- Liberty Bank invested \$1,499,975 in five CDFIs during the evaluation period. All investments were in the form of certificates of deposit.

### Community Development Services

The bank’s number of community development services demonstrates excellent responsiveness to the community development needs of its assessment area, particularly considering the impact that many of these services had on the affordable housing needs of the New Orleans AA.

Table 23 - Community Development Services (Number)					
Activity Year	Qualifying Category				Totals
	<i>Affordable Housing</i>	<i>Community Development Organizations</i>	<i>Economic Development</i>	<i>Revitalize or Stabilize LMI* Geographies</i>	
2007**	1	1	3	1	6
2008	0	1	2	3	6
2009	0	1	2	0	3
2010	0	1	1	0	2
<b>Total</b>	<b>1</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>17</b>

Source: Bank records

Liberty Bank also offers a variety of alternative delivery systems that effectively deliver retail banking services throughout its assessment areas. The bank offers convenient banking services via the internet allowing customers to view product information, bank and ATM locations, account information, as well as pay bills and transfer funds among accounts. Additionally, the bank offers similar services through its telephone banking system.

Liberty Bank has provided an outstanding level of community development services during the evaluation period. Listed below are some of the more notable qualifying community development services.

- Electronic Transfer Accounts (ETA) – An ETA is a low-cost deposit account developed by the U. S. Department of the Treasury designed for federal payment recipients, who do not have or may not qualify for a checking or savings accounts.
- Liberty Foundation – A non-profit organization organized in 1993 to be operated for charitable and educational purposes, including, but not limited to, assisting in the implementation and support of community-based endeavors that are designed to improve the quality of life in New Orleans and increase the accessibility of affordable housing. The organization has acquired nine properties in New Orleans for the purpose of building affordable housing.
- NewCrop, Inc. – One of the bank’s senior vice presidents serves on the board of this non-profit organization operating as a business assistance center specializing in small, minority- and women-owned businesses in the New Orleans AA.
- The Gentilly Homeowners Initiative – In the summer of 2009, Liberty Bank launched the Gentilly Homeowners Initiative (GHI). Backed by a \$1 million financial assistance grant from the CDFI Fund, the GHI provides low-interest loans and “soft” second mortgages to existing and new homeowners, for either rehabilitation of an owned property or the purchase of a new home in the Gentilly area of New Orleans. Thus far, 44 customers have received over \$5 million from the GHI toward renovating or purchasing homes in Gentilly.

### ***Baton Rouge AA (Limited-scope review)***

#### ***Description of Institution’s Operations in the Baton Rouge AA***

Liberty Bank operates three full service branch locations in this assessment area. One of the three branches is located in a moderate-income census tract. This area accounts for 9 percent of the bank’s June 30, 2009 deposit base and 13 percent of the bank’s total loans.

#### ***Description of the Baton Rouge AA***

The bank has designated Ascension, East Baton Rouge, Livingston, and West Baton Rouge Parishes as it Baton Rouge assessment area. This area contains 120 census tracts, of which 14 (12 percent) are low-income; 28 (23 percent) are moderate-income; 42 (35 percent) are middle-income; and 36 are upper-income (30 percent).

Table 24 provides detailed information concerning the Baton Rouge MSA demographics. Unless otherwise noted, all demographic data in the evaluation is based on 2000 U.S. Census Bureau information.

<b>Table 24 - Demographic &amp; Economic Characteristics of the Baton Rouge, LA MSA</b>		
Assessment Area Population		602,894
<u>Baton Rouge MSA-HUD Median Family Income:</u>		
2008 MSA Median Family Income		\$56,600
2009 MSA Median Family Income		\$59,800
2010 MSA Median Family Income		\$60,600
<u>Percentage of Families by Income Level:</u>		
Low-Income		22%
Moderate-Income		16%
Middle-Income		19%
Upper-Income		43%
<u>Number of Total Housing Units:</u>		<u>242,827 Total Units</u>
1-4 Family Residential		181,165
Multi-Family		34,603
Mobile Home or Trailer		26,636
Other		423
Owner-Occupied Housing Units		151,630
Occupied Rental Housing Units		71,719
Vacant Housing Units		19,478

Source: 2000 U.S. Census

Based on 2010 D&B data for the Baton Rouge MSA, the area's economy consists of service-related industries, as well as leisure and hospitality. Major employers include Exxon Mobile Corporation, Bank One, and Blue Cross and Blue Shield Association. Competition in this area is strong and consists of numerous locally-owned, regional and national financial institutions. Based on first quarter 2010 data provided by the Bureau of Labor Statistics, the Baton Rouge MSA indicates an unemployment rate of 6 percent, which is similar to the state rate of 7 percent and below the United States rate of 9 percent.

Although population growth has slowed to a more sustainable pace in the past year, its late-2005 surge is still driving growth in education and healthcare. The strengths of the Baton Rouge MSA are relatively high educational attainment, relative stability provided by the presence of state government and Louisiana State University, and below average living and business costs. Weaknesses include below average per capita income compared to the United States and rising housing costs, which deter further immigration. The slowing global growth and the national recession are starting to weigh on local chemical manufacturers. The following table illustrates the Department of Housing and Urban Development's estimates of the median family income for the Baton Rouge MSA for 2008, 2009, and 2010, and the income ranges for low-, moderate-, middle-, and upper-income families.

<b>Table 25 - Median Family Income Ranges for the Baton Rouge, LA MSA</b>				
<i>Income Level</i>	<i>Percent of MFI</i>	<i>2008 Income Range</i>	<i>2009 Income Range</i>	<i>2010 Income Range</i>
Low	Less than 50%	Less than \$28,300	Less than \$29,900	Less than \$30,300
Moderate	50% < 80%	\$28,300 < \$45,280	\$29,900 < \$47,840	\$30,300 < \$48,480
Middle	80% < 120%	\$45,280 < \$67,920	\$47,840 < \$71,760	\$48,480 < \$72,720
Upper	120% or more	\$67,920 or more	\$71,760 or more	\$72,720 or more
<b>MFI</b>		\$56,600	\$59,800	\$60,600

Source: Department of Housing and Urban Development

### ***Community Contact – Baton Rouge AA***

A community contact from earlier in the year was reviewed during the evaluation to provide insight into local economic conditions, as well as community credit needs. The contact indicated the outlook for Baton Rouge MSA was comparable to the rest of the country. The contact further stated that the economic environment was positive, with a steady job market. However, the contact further indicated that the real estate market and small commercial businesses were growing at a slow pace as the economy was not conducive to small business lending by financial institution or real estate lending. Additionally, he commented that the BP oil spill in the Gulf had not affected the industry in the area. The contact stated that there are plenty of opportunities for local financial institutions to finance small businesses, with start up and operating capital the primary credit needs of most small businesses in the area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

Liberty Bank demonstrated an outstanding record regarding the Lending Test. Examiners focused on performance, first by borrower profile, then by geographic distribution of loans.

#### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

The distribution of borrowers reflects, given the demographics of the assessment area and comparisons to aggregate data, excellent distribution among borrowers of different incomes (including low- and moderate-income) and reasonable penetration among businesses of different sizes.

#### ***Home Mortgage Lending***

The bank's performance in the Baton Rouge AA revealed that 11 percent of the bank's 2008 home mortgage lending, by number, was to low-income borrowers (aggregate data was 4 percent), while 29 percent of the bank's loans were to moderate-income borrowers (with aggregate at 10 percent). The strong lending continued in 2009 with 21 percent of the bank's loans to low-income borrowers and 26 percent to moderate-income borrowers. Year-to-date 2010 performance remains strong with 8 percent to low-income borrowers and 50 percent to moderate-income borrowers. This performance is considered excellent.

#### ***Small Business Lending***

The bank's performance in the Baton Rouge AA reflected 83 percent (by number) and 95 percent (by dollar) of the bank's small business loans were to businesses with gross annual revenues of \$1 million or less. The demographics indicate that approximately 92 of area businesses have revenues of \$1 million or less. This performance is considered reasonable.

#### **Geographic Distribution of Loans**

The geographic distribution of the home mortgage and small business loans reflects excellent dispersion throughout the bank's assessment area.

#### ***Home Mortgage Lending***

The bank's performance in the Baton Rouge AA was consistent with the bank's performance in the New Orleans MSA AA. Specifically, the bank originated 11 percent of its loans in low-income census tracts in 2008

(aggregate data reflected 1 percent) and 6 percent in 2009, while the bank originated 25 percent in moderate-income census tracts in 2008 (aggregate data reflected 9 percent) and 36 percent in 2009. The bank's performance is considered excellent overall.

### ***Small Business Lending***

The bank's performance in this assessment area reflected 33 percent (by number) and 81 percent (by dollar) of the bank's small business loans were to businesses located in moderate-income tracts. The geographic data indicates that approximately 18 percent of area businesses are located in these moderate-income tracts. No small business loans were originated in low-income tracts, but only 6 percent of businesses were located there. The bank's small business lending performance in the Baton Rouge AA is considered excellent.

## **COMMUNITY DEVELOPMENT TEST**

The bank has not established a record regarding the community development needs in the Baton Rouge AA and needs improvement.

### **Community Development Lending**

The bank has a less than reasonable record regarding the community development needs in this assessment area. The bank's number and dollar volume of community development loans warrant improvement regarding community development lending in this assessment area. Since the last evaluation, Liberty Bank records do not reflect any community development loans extended in this assessment area.

### **Community Development Investments**

The bank has less than reasonable record regarding the community development investments in this assessment area and warrant improvement. Since the last evaluation, Liberty Bank records do not reflect any community development investments extended in this assessment area.

### **Community Development Services**

Liberty Bank offers a satisfactory level of alternative delivery systems that effectively deliver retail banking services throughout its assessment areas. The bank offers convenient banking services via the internet allowing customers to view product information, account information, as well as pay bills and transfer funds among accounts. Additionally, the bank offers similar services through its telephone banking system.

Liberty Bank offers "Electronic Transfer Accounts (ETA)"; an ETA is a low-cost deposit account developed by the U. S. Department of the Treasury designed for federal payment recipients, who do not have or may not qualify for a checking or savings accounts.

## ***St. Landry AA (Limited-scope review)***

### ***Description of Institution's Operations in the St. Landry AA***

Liberty Bank operates one full service branch location in this assessment area. The branch is located in a moderate-income census tract.

### ***Description of the St. Landry AA***

The bank has designated St. Landry Parish as its St. Landry AA. This area contains 19 census tracts, of which 5 (26 percent) are moderate-income; 13 (69 percent) are middle-income; and 1 is upper-income (5 percent). This assessment area does not have any low-income census tracts.

The following table provides detailed information concerning the St. Landry Parish demographics. Unless otherwise noted, all demographic data in the evaluation is based on 2000 U.S. Census Bureau information.

<b>Table 26 – Demographic &amp; Economic Characteristics of the St. Landry Parish</b>		
Assessment Area Population		87,700
<u>St. Landry (Non-MSA Louisiana) HUD Median Family Income:</u>		
2007 MSA Median Family Income		\$39,700
2008 MSA Median Family Income		\$41,600
2009 MSA Median Family Income		\$43,200
<u>Percentage of Families by Income Level:</u>		
Low-Income		30%
Moderate-Income		16%
Middle-Income		18%
Upper-Income		36%
<u>Number of Total Housing Units:</u>		
1-4 Family Residential		<u>36,216 Total Units</u> 28,453
Multi-Family		1,400
Mobile Home or Trailer		6,260
Other		103
Owner-Occupied Housing Units		22,869
Occupied Rental Housing Units		9,459
Vacant Housing Units		3,888

Source: 2000 U.S. Census

Based on 2010 D&B data for the St. Landry, the area's economy consists of service-related industries, as well as retail trade. Major employers include schools and local governments. Competition in this area is strong and consists of numerous locally-owned, regional and national financial institutions. Based on first quarter 2010 data provided by the Bureau of Labor Statistics, the St. Landry Parish indicates an unemployment rate of 8 percent, which is above the State rate of 7 percent and below the United States rate of 9 percent.

<b>Table 27 – Median Family Income Ranges for the St. Landry AA</b>				
<b><i>Income Level</i></b>	<b><i>Percent of MFI</i></b>	<b><i>2007 Income Range</i></b>	<b><i>2008 Income Range</i></b>	<b><i>2009 Income Range</i></b>
Low	Less than 50%	Less than \$19,850	Less than \$20,800	Less than \$21,600
Moderate	50% < 80%	\$19,850 < \$31,760	\$20,800 < \$33,280	\$21,600 < \$34,560
Middle	80% < 120%	\$31,760 < \$47,640	\$33,280 < \$49,920	\$34,560 < \$51,840
Upper	120% or more	\$47,640 or more	\$49,920 or more	\$51,840 or more
<b><i>MFI</i></b>		\$39,700	\$41,600	\$43,200

Source: Department of Housing and Urban Development

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

#### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

##### ***Home Mortgage Lending***

St. Landry AA was added to Liberty Bank's assessment area in April 2009 with the purchase of United Bank and Trust Company, New Orleans, LA. For the purpose of this exam only mortgage data from 2009 is available for review. Excellent lending was demonstrated in 2009.

##### ***Small Business Lending***

The bank's performance in this assessment area was similar to the bank's performance in the New Orleans AA. Keeping in mind that the St. Landry AA did not become a part of Liberty Bank's assessment area until April 2009, the bank's lending performance in the St. Landry AA is considered satisfactory.

#### **Geographic Distribution of Loans**

The geographic distribution of the home mortgage and small business loans reflects satisfactory dispersion throughout the assessment area.

##### ***Home Mortgage Lending***

The bank's performance in this assessment area was similar to the bank's performance in the New Orleans AA. Keeping in mind that the St. Landry AA did not become a part of Liberty Bank's assessment area until April 2009 the bank's lending performance in the St. Landry AA is considered adequate.

##### ***Small Business Lending***

The bank's performance in this assessment area was similar to the bank's performance in the New Orleans AA. Keeping in mind that the St. Landry AA did not become a part of Liberty Bank's assessment area until April 2009 the bank's lending performance in the St. Landry AA is considered adequate.

### **COMMUNITY DEVELOPMENT TEST**

The bank has not established a record regarding the community development needs in this assessment area and needs improvement in this area of community development.

#### **Community Development Lending**

The bank has less than reasonable record regarding the community development needs in this assessment area. The bank's number and dollar volume of community development loans warrant improvement regarding community development lending in this assessment area. Since the last evaluation, Liberty Bank records do not reflect any community development loans extended in this assessment area.



## **Community Development Investments**

The bank has less than reasonable record regarding the community development investments in this assessment area and warrant improvement. Since the last evaluation, Liberty Bank records do not reflect any community development investments extended in this assessment area

## **Community Development Services**

Liberty Bank offers a satisfactory level of alternative delivery systems that effectively deliver retail banking services throughout its assessment areas. The bank offers convenient banking services via the internet allowing customers to view product information, account information, as well as pay bills and transfer funds among accounts. Additionally, the bank offers similar services through its telephone banking system.

Liberty Bank offers “Electronic Transfer Accounts (ETA)”; an ETA is a low-cost deposit account developed by the U. S. Department of the Treasury designed for federal payment recipients, who do not have or may not qualify for a checking or savings accounts.

## **STATE OF MISSISSIPPI**

**CRA RATING FOR MISSISSIPPI: Outstanding.**

**The Lending Test is rated: Outstanding.**

**The Community Development Test is rated: Satisfactory.**

### ***Jackson AA (Full-scope review)***

#### ***Description of the Institution's Operations in the Jackson AA***

Liberty Bank currently operates two locations and five ATMs in Mississippi. This MSA's deposits account for only 4 percent of the bank's total deposits. The bank originated 25 percent of its HMDA loans in this market during 2009.

Examiners reviewed the State of Mississippi portion of Liberty Bank's assessment area using full-scope examination procedures. Examiners used the home mortgage data and small business loan data previously described to evaluate the bank's performance. In addition, examiners also reviewed all of the bank's community development activities during the review period.

#### ***Description of the Jackson AA***

The following three counties comprise this MSA: Hinds, Madison and Rankin counties.

<b>Table 28 - Demographic &amp; Economic Characteristics of the Jackson, MS MSA</b>		
Assessment Area Population		440,801
<u>Jackson MS MSA-HUD Median Family Income:</u>		
2008 MSA Median Family Income		\$54,300
2009 MSA Median Family Income		\$56,700
2010 MSA Median Family Income		\$57,400
<u>Percentage of Families by Income Level:</u>		
Low-Income		22%
Moderate-Income		16%
Middle-Income		19%
Upper-Income		43%
<u>Number of Total Housing Units:</u>		<u>174,138 Total Units</u>
1-4 Family Residential		135,413
Multi-Family		23,451
Mobile Home or Trailer		14,914
Other		360
Owner-Occupied Housing Units		109,901
Occupied Rental Housing Units		50,437
Vacant Housing Units		13,800

Source: 2000 U.S. Census

Based on 2010 D&B data for the Jackson MS MSA, the area's economy consists of construction, manufacturing, and health services industry. Major employers include Nissan North America, Baptist Health Systems, Inc., Saint Dominic Health Services and Mississippi State Hospital. The public sector and education/healthcare continue to grow steadily. Based on first quarter 2010 data provided by the Bureau of Labor Statistics, the Jackson MS MSA indicated an unemployment rate of 9 percent, which is lower than the state rate of 11 percent and equal to the

United States rate of 9 percent.

The Jackson MSA recovery, which began in services, has broadened as goods producers have improved. Construction and manufacturing payrolls are expanding for the first time in years, and transportation firms are hiring to match increased demand. Public sector and education/healthcare continue to grow steadily. Employment gains are outpacing the return of discouraged workers to the labor force pushing the unemployment rate below 9 percent.

**Table 29 - Median Family Income Ranges for the Jackson, MS MSA**

<i>Income Level</i>	<i>Percent of MFI</i>	<i>2008 Income Range</i>	<i>2009 Income Range</i>	<i>2010 Income Range</i>
Low	Less than 50%	Less than \$27,150	Less than \$28,350	Less than \$28,700
Moderate	50% < 80%	\$27,105 < \$43,440	\$28,350 < \$45,360	\$28,700 < \$45,920
Middle	80% < 120%	\$43,440 < \$65,160	\$45,360 < \$68,040	\$45,920 < \$68,880
Upper	120% or more	\$65,160 or more	\$68,040 or more	\$68,880 or more
<b>MFI</b>		\$54,300	\$56,700	\$57,400

*Source: Department of Housing and Urban Development*

### ***Community Contact – Jackson, MS MSA AA***

A community contact from earlier in the year was reviewed during the evaluation to provide insight into local economic conditions, as well as community credit needs. The contact indicated the economic climate of the Jackson MSA as a stable economy during the current national and statewide economic downturn. The contact further stated that even though they have seen businesses close, there have been new businesses opening to take their place. The population trend for the area is also considered to be stable. Additionally, the contact stated that there were opportunities for local financial institutions to make loans in the area but as far as any specific credit needs for the area; the contact was unable to provide any specific need. However, based on further statements about new businesses replacing the closed businesses, there appears to be a need for small business lending. Overall, the contact believes that the credit needs of the community are being met by local financial institutions.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

Liberty Bank's lending performance in the Jackson AA is satisfactory.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

#### ***Home Mortgage Lending***

The following table reflects the lending distribution of the bank's 2008, 2009 and year-to-date 2010 loans, which were originated within the Jackson AA. For comparative purposes, the table includes the percentage of families within each income level. The 2008 aggregate HMDA data for all lenders that reported HMDA loan activity within the assessment area is also provided for comparison. Aggregate data for 2009 and 2010 was not available during the evaluation.

**Table 30 - Distribution of Home Mortgage Loans by Borrower Income Level – Jackson MS MSA AA**

<i>Median Income Level</i>	<i>% Total Families</i>	<i>2008 Aggregate Lending Data</i>	<i>2008 Bank Performance</i>		<i>2009 Bank Performance</i>		<i>Year-to-Date 2010 Performance</i>	
		<i>% by #</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	22	6	22	20	16	14	6	26
<i>Moderate</i>	16	17	37	34	34	28	10	44
<i>Middle</i>	19	24	32	30	34	28	3	13
<i>Upper</i>	43	43	16	15	29	24	4	17
<i>NA</i>	0	10	1	1	7	6	0	0
<i>Total</i>	100	100	108	100	120	100	23	100

Source: 2000 U.S. Census, HMDA-LAR (2008, 2009, and first six months 2010), HMDA Aggregate Data (2008)

### **Low-Income Borrowers**

As illustrated above, the bank's home mortgage lending to low-income borrowers (by number) at 20 percent in 2008 was comparable to area demographics (22 percent of families are low-income) and higher to that of aggregate lenders (6 percent). Additionally, the bank's lending to low-income borrowers is the slightly lower in 2009 (14 percent) but reflects an upward trend in year-to-date 2010 of 26 percent.

More weight is placed on the comparison of the bank's lending to the aggregate data, versus the demographic comparison, because a further analysis of area demographics revealed that 37 percent of the low-income families are below the poverty level, which makes it difficult for these borrowers to qualify for mortgage loans. The comparison to aggregate data illustrates more directly how the bank is performing relative to other mortgage lenders.

An analysis by dollar amount revealed that, in 2008, the bank originated 12 percent of its loans to low-income borrowers, with aggregate at 2 percent.

Given the bank's solid performance in lending to low-income borrowers relative to aggregate data (by both number and dollar amount), and the stable trend in 2009 and filtering in the percentage of families below poverty level, the bank's low-income lending is considered excellent in this assessment area.

### **Moderate-Income Borrowers**

The bank's lending to moderate-income borrowers is excellent, as depicted in Table 30 above, 34 percent of the bank's home mortgage loans in 2008, by number, were made to moderate-income borrowers. This percentage is significantly higher compared to area demographics (16 percent of families are moderate-income) and when compared to the 2008 aggregate data (17 percent). The bank's moderate-income lending decreased in 2009 to 28 percent; however, for year-to-date 2010 rose to 44 continuing to reveal a positive trend. The bank's performance is considered excellent.

An analysis by dollar amount revealed that in 2008, the bank originated 29 percent of its loans to moderate-income borrowers, with aggregate at 10 percent. In 2009, the bank's percentage by dollar volume dropped slightly to 28 percent but continued the bank's strong presence in the community with an increase in year-to-date 2010 to 35 percent.

The bank's lending to moderate-income borrowers is excellent relative to aggregate lenders and is generally favorable to area demographics; therefore, the bank's performance is considered outstanding in this assessment area.

### ***Small Business Lending***

The following table depicts a sample of the bank's small business lending within the assessment area to businesses of different sizes.

<b>Table 31 - Distribution of Small Business Loans by Gross Annual Revenues – Jackson MSA AA</b>						
<b><i>Gross Annual Revenues (000s)</i></b>	<b><i>Assessment Area Businesses* (% of #)</i></b>	<b><i>Gross Annual Revenues \$(000s)</i></b>	<b><i>Bank Loans</i></b>			
			<b><i>Number</i></b>	<b><i>Percent</i></b>	<b><i>Amount \$ (000s)</i></b>	<b><i>Percent</i></b>
<b><i>≤ \$1,000</i></b>	<b><i>9</i></b>	<b><i>&lt; \$100</i></b>	<b><i>1</i></b>	<b><i>20</i></b>	<b><i>5</i></b>	<b><i>2</i></b>
	<b><i>19</i></b>	<b><i>\$100 &lt; \$250</i></b>	<b><i>1</i></b>	<b><i>20</i></b>	<b><i>35</i></b>	<b><i>12</i></b>
	<b><i>32</i></b>	<b><i>\$250 &lt; \$500</i></b>	<b><i>1</i></b>	<b><i>20</i></b>	<b><i>117</i></b>	<b><i>41</i></b>
	<b><i>36</i></b>	<b><i>\$500 ≤ \$1,000</i></b>	<b><i>2</i></b>	<b><i>40</i></b>	<b><i>128</i></b>	<b><i>45</i></b>
<b><i>Subtotals</i></b>	<b><i>96</i></b>		<b><i>5</i></b>	<b><i>100</i></b>	<b><i>285</i></b>	<b><i>100</i></b>
<b><i>&gt; \$1,000</i></b>	<b><i>4</i></b>	<b><i>&gt; \$1,000</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>0</i></b>
<b><i>Revenue Unknown</i></b>						
<b><i>Total</i></b>	<b><i>100</i></b>	<b><i>Total</i></b>	<b><i>5</i></b>	<b><i>100</i></b>	<b><i>285</i></b>	<b><i>100</i></b>

Source: \*D & B Data and Small Business Loan Sample

As presented in the table above, all of the bank's small business loans in its assessment area were to businesses with gross annual revenues of \$1 million or less. This lending level is slightly higher than the demographics of the assessment area in that approximately 96 percent of local businesses have revenues of \$1 million or less. This is considered excellent.

An analysis by dollar amount indicated that 100 percent of the bank's loans were to businesses with revenues less than \$1 million. This is again higher than demographics (96 percent) and is deemed excellent.

### ***Geographic Distribution of Loans***

The geographic distribution of the home mortgage and small business loans reflects excellent dispersion throughout the bank's assessment area.

## Home Mortgage Lending

Table 32 depicts the geographic distribution of the bank's home mortgage lending. For comparison purposes, the distribution of the assessment area's owner-occupied housing units for each geography income level is also shown. The 2008 aggregate HMDA data for all lenders which reported HMDA loan activity within the assessment area is also provided for comparison. Aggregate data for 2009 and 2010 was not available during the evaluation.

<b>Table 32 - Distribution of Home Mortgage Loans by Demographic Income Level – Jackson MS MSA AA</b>									
<i>Median Income Level</i>	<i>% Owner- Occupied Housing</i>	<i>2008 Aggregate Lending Data</i>	<i>2008 Bank Performance</i>			<i>2009 Bank Performance</i>		<i>2010 (first six months) Performance</i>	
		<i>% by #</i>	<i>#</i>	<i>%</i>		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	4	1	4	4		3	3	0	0
<i>Moderate</i>	16	9	31	29		22	18	2	9
<i>Middle</i>	39	37	37	34		37	31	8	35
<i>Upper</i>	41	53	36	33		58	48	13	56
<i>NA</i>	0	0	0	0		0	0	0	0
<i>Total</i>	100	100	108	100		120	100	23	100

Source: 2000 U.S. Census, HMDA-LAR (2008, 2009, and first six months 2010), HMDA Aggregate Data (2008)

As shown above, the bank's home mortgage lending in low-income census tracts (by number) at 4 percent in 2008 is equal to demographics (4 percent of owner-occupied units are in those tracts) and slightly higher when compared to aggregate data (1 percent). Additionally, moderate-income census tracts (by number) at 29 percent in 2008 exceeds area demographics (16 percent of owner-occupied units are in those tracts), as well as to aggregate data (9 percent). The bank's lending in moderate-income census tracts was similar in 2008 and year-to-date 2010 at 18 percent and 9 percent, respectively.

Given the bank's solid performance in lending in low- and moderate-income census tracts relative to aggregate data, and the trend in to 2009, the bank's lending in moderate-income census tracts is considered reasonable.

## Small Business Lending

The table below presents the geographic dispersion of a sample of the bank's small business loans located in the Jackson AA. The percentage of assessment area businesses located in each geography income level is provided for comparison.

**Table 33 - Distribution of Small Business Loans by Geography Income Level – Jackson MS MSA AA**

<i>Geography Income Category</i>	<i>Percent of Businesses in the Assessment Area</i>	<i>Bank's Small Business Loan Sample</i>			
		<i>#</i>	<i>%</i>	<i>\$ (000s)</i>	<i>%</i>
<i>Low</i>	<i>10</i>	1	20	125	44
<i>Moderate</i>	<i>20</i>	1	20	4	1
<i>Middle</i>	<i>32</i>	1	20	5	2
<i>Upper</i>	<i>38</i>	0	0	0	0
<i>NA</i>	<i>0</i>	2	40	152	53
<i>Total</i>	<i>100</i>	5	100	285	100

Source: 2007 D & B Data and Small Business Loan Sample

As illustrated above, the bank originated 20 percent of its small business loans, by number, in the low-income census tracts, which is higher than area demographics which indicate that approximately 10 percent of businesses are in low-income census tracts. Additionally, the bank originated 20 percent of its loans within the moderate-income census tracts, which also compares favorably to demographics in that 20 percent of businesses are located within the moderate-income census tracts. The geographic distribution of the bank's small business lending is satisfactory.

### **COMMUNITY DEVELOPMENT TEST**

The bank has not established a record regarding the community development needs in this assessment area and needs improvement in this area.

#### **Community Development Lending**

The bank has less than reasonable record regarding the community development needs in this assessment area. Since the last evaluation, Liberty Bank records do not reflect any community development loans extended in this assessment area; however, the bank is working on a \$1 million loan to a community development organization in the Jackson, MS area. Full credit for this loan origination will be reflected in the next evaluation.

#### **Community Development Investments**

Overall, Liberty Bank has demonstrated an excellent level of qualified investment activity. Liberty Bank's level of qualified community development investments reflects a reasonable responsiveness to community development needs. A substantial portion of the investment is in the form of New Market Tax Credits.

- New Markets Tax Credit (NMTC) Program – As mentioned earlier under Qualified Investment, the bank received additional allocations of \$20 million dollars in 2008. These 2008 allocation are for use in Louisiana; Houston, Texas; and Jackson, Mississippi.

## **Community Development Services**

Liberty Bank offers a satisfactory level of alternative delivery systems that effectively deliver retail banking services throughout its assessment areas. The bank offers convenient banking services via the internet allowing customers to view product information, account information, as well as pay bills and transfer funds among accounts. Additionally, the bank offers similar services through its telephone banking system.

Liberty Bank offers “Electronic Transfer Accounts (ETA)”; an ETA is a low-cost deposit account developed by the U. S. Department of the Treasury designed for federal payment recipients, who do not have or may not qualify for a checking or savings accounts.



## **STATE OF MICHIGAN**

**CRA RATING FOR MICHIGAN: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

### ***Detroit AA (Full-scope review)***

#### ***Description of the Institution's Operations in the Detroit AA***

Examiners reviewed Liberty Bank's Detroit AA using full-scope examination procedures. Examiners used the home mortgage data and small business data previously described to evaluate the bank's performance. In addition, examiners also reviewed all of the bank's community development activities during the review period.

Liberty Bank acquired Home Federal Savings Bank in Detroit, Michigan in November 2009. Liberty Bank currently operates two locations in the Detroit AA. As of June 30, 2010 report of conditions, the Detroit MSA AA deposits account for 0 percent of the bank's total deposits.

#### ***Description of the Detroit AA***

This assessment area is comprised of Wayne County with a total of 620 census tracts.

<b>Table 34 - Demographic &amp; Economic Characteristics of the Detroit MI MSA</b>		
Assessment Area Population		2,061,162
<b><u>Detroit MI MSA-HUD Median Family Income:</u></b>		
2008 MSA Median Family Income		\$54,400
2009 MSA Median Family Income		\$57,100
2010 MSA Median Family Income		\$55,900
<b><u>Percentage of Families by Income Level:</u></b>		
Low-Income		23%
Moderate-Income		17%
Middle-Income		19%
Upper-Income		41%
<b><u>Number of Total Housing Units:</u></b>		
1-4 Family Residential		<b><u>826,145 Total Units</u></b> 685,475
Multi-Family		124,068
Mobile Home or Trailer		16,294
Other		308
Owner-Occupied Housing Units		511,936
Occupied Rental Housing Units		256,504
Vacant Housing Units		57,705

Source: 2000 U.S. Census

Based on 2010 D&B data for the Detroit AA, the area's economy consists of state and local government, health care systems, and services industry. Major employers include Detroit Medical Center, Henry Ford Health, Wayne State University, General Motors Corporation and Chrysler LLC. Detroit is beginning to emerge from its decade-long recession. The unemployment rate continues to remain among the highest in the nation with the government bailouts received by two Detroit automakers. The housing industry is still unstable and Detroit will not move into recovery until its housing market stabilizes. Based on first quarter 2010 data provided by the

Bureau of Labor Statistics, the Detroit, MI MSA indicates an unemployment rate of 17 percent, which is higher than the state rate of 14 percent and extremely higher than the United States rate of 9 percent.

Detroit's economy faces huge challenges, but the stabilization of payrolls, new shifts at auto plants, and parts expansions will allow for modest recovery. The rebound will be much weaker than elsewhere as the area struggles to redefine itself, and will never regain most of the jobs lost since 2000.

<b>Table 35 - Median Family Income Ranges for the Detroit, MI MSA</b>				
<b><i>Income Level</i></b>	<b><i>Percent of MFI</i></b>	<b><i>2008 Income Range</i></b>	<b><i>2009 Income Range</i></b>	<b><i>2010 Income Range</i></b>
Low	Less than 50%	Less than \$27,200	Less than \$28,550	Less than \$27,950
Moderate	50% < 80%	\$27,200 < \$43,520	\$28,550 < \$45,680	\$27,950 < \$44,720
Middle	80% < 120%	\$43,520 < \$65,280	\$45,680 < \$68,520	\$44,720 < \$67,080
Upper	120% or more	\$65,280 or more	\$68,520 or more	\$67,080 or more
<b><i>MFI</i></b>		\$54,400	\$57,100	\$55,900

Source: Bank records

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

Liberty Bank's lending performance in the Detroit AA is considered satisfactory due to the limited data available during this examination.

#### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

##### ***Home Mortgage Lending***

Liberty Bank added the Detroit, MI MSA to the bank's assessment area November 2009 resulting in no home mortgage loans to report for 2008 and 2009. Year-to-date 2010 data also reflects that the bank has not extended any home mortgage loans in this assessment area. Considering the lack of home mortgage lending in this area, a review of the bank's home mortgage lending to low- and moderate-income borrowers was unable to be performed.

Given the bank's short time in the market and considering in the percentage of families below poverty level, the bank's absence of home mortgage lending for this time period is considered adequate.

##### ***Small Business Lending***

The following table depicts a sample of the bank's small business lending within the assessment area to businesses of different sizes.

**Table 36 - Distribution of Small Business Loans by Gross Annual Revenues – Detroit MSA AA**

<b>Gross Annual Revenues (000s)</b>	<b>Assessment Area Businesses* (% of #)</b>	<b>Gross Annual Revenues \$(000s)</b>	<b>Bank Loans</b>			
			<b>Number</b>	<b>Percent</b>	<b>Amount \$ (000s)</b>	<b>Percent</b>
<b>≤ \$1,000</b>	<b>6</b>	<b>&lt; \$100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>23</b>	<b>\$100 &lt; \$250</b>	<b>1</b>	<b>100</b>	<b>10</b>	<b>100</b>
	<b>33</b>	<b>\$250 &lt; \$500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>32</b>	<b>\$500 ≤ \$1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subtotals</b>	<b>94</b>		<b>1</b>	<b>100</b>	<b>10</b>	<b>100</b>
<b>&gt; \$1,000</b>	<b>5</b>	<b>&gt; \$1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue Unknown</b>	<b>1</b>					
<b>Total</b>	<b>100</b>	<b>Total</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>

Source: \*D & B Data and Small Business Loan Sample

As presented in the table above, all of the bank's small business loans in the assessment area were to businesses with gross annual revenues of \$1 million or less. This lending level is higher than, but remains generally comparable to, the economic demographics of the assessment area in that approximately 94 percent of local businesses have revenues of \$1 million or less. The bank's performance is considered excellent.

### **Geographic Distribution of Loans**

The bank's geographic distribution of lending in this assessment area is considered reasonable.

#### **Home Mortgage Lending**

As previously stated, no home mortgage loans have been originated during the review period; therefore, this product was not analyzed.

#### **Small Business Lending**

There was one small business loan reflected in sample of the bank's small business loans located in the Detroit AA to be used in the geographic dispersion analysis. Considering that Liberty only recently entered the Detroit market, the geographic distribution of the bank's small business lending is adequate.

### **COMMUNITY DEVELOPMENT TEST**

The bank has not established a record regarding the community development needs in this assessment area. Due to the limited time in this market and the size of the bank's market share, this limited performance is considered reasonable.



## GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Assessment Area:** A geographic area delineated by the bank in accordance with the requirements of the Community Reinvestment Act.

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties/parishes. Census tract boundaries do not cross county/parish lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Distressed or Underserved Non-Metropolitan Middle-Income Geography:** Designated as such by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, based on (1) Rates of poverty, unemployment, and population loss, or (2) Population size, density, and dispersion.

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Metropolitan Statistical Area (MSA):** One or more Metropolitan Districts that have economic and social ties.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of a non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

### HOUSING TERMS

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified into “male householder” (a family with a male householder and no wife present) or “female household” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Affordable Housing:** the cost of housing, either by monthly rent or monthly principal and interest payments, that is less than or equal to 32 percent of the upper limit of moderate-income for the area on a gross monthly basis.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and the other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

## **LOAN TERMS**

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **OTHER TERMS**

**Community Development:** For loans, investments, and services to qualify for consideration as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.